



METROCOAL

An Australian Resource Company

2014

June

**QUARTERLY
REPORT**



Corporate Details

METROCOAL LIMITED | ABN 45 117 763 443

Quarterly Activities Report For the period ended 30 June 2014

ASX CODE: MTE

Issued Capital (30/06/2014)

208,883,663 shares issued

2,000,000 Unlisted employee and Directors' Options

6,250,000 Other Unlisted options

1,451 Shareholders

Top 20 Shareholders

Hold 69.72% of listed shares

Directors & Management

Mr Stephen Everett - Chairman

Mr Andrew Gillies – Non-executive Director (Alt Mr John Haley)

Mr Lindsay Ward – Non-executive Director

Mr Wang Dongping – Non-executive Director (Alt Mr Robert Finch)

Mr Mike O'Brien – Chief Executive Officer

Mr Nicholas Villa – Project Manager

Mr Scott Waddell – Chief Financial Officer & Company Secretary

Largest Shareholders

Metallica Minerals Limited	30.78%
Dadi Engineering Development Group	22.62%

Cash Balance

As at 30 June 2014 MTE's cash balance was approximately \$6.5 million

Highlights for the Quarter

- MetroCoal finished the quarter in a strong cash position with approximately \$6.5 million.
- MetroCoal gains control of bauxite focused Cape Alumina Limited with a 57.23% shareholding following the successful takeover Bid of 18th March.
- Cape York Regional Interests map confirms there are no conflicting land interests overlapping the Bauxite Hills resource areas and that the Cape York Regional Plan is unlikely to prevent mining at Bauxite Hills.
- The outlook for bauxite remains positive with prices into China continuing to firm.
- MetroCoal continues to remain active in seeking and evaluating both corporate and project opportunities in the resource sector both domestic and overseas.

Corporate Activities

On Market Bid for Cape Alumina Limited

MetroCoal's on market bid for Cape Alumina Ltd (Cape) made on 18 March 2014 closed on the 5th May 2014. MetroCoal now holds 57.22% of Cape's issued share capital.

Acquisition of this interest provides MetroCoal's shareholders with exposure to the bauxite market, a bulk commodity with a favourable outlook, for a relatively small capital outlay. This acquisition also gives MetroCoal the opportunity to build a project pipeline based on bauxite assets in the near to medium term and coal assets in the longer term.

MetroCoal now has a majority shareholding in Cape and Stephen Everett and Lindsay Ward have been appointed to the board of Cape Alumina Limited.

In accordance with MetroCoal's intentions outlined in its Bidders Statement MetroCoal has commenced, through the Board and Management of Cape, to refocus activities on the planning and evaluation of the Bauxite Hills Project and support a submission to the Queensland Government to develop the Aurukun bauxite deposit.

MetroCoal has also assisted Cape to reduce costs by eliminating duplication of tasks through the amalgamation of the administrative functions of both companies. Further savings are anticipated through sharing office accommodation and other services.

Regional Planning Interests Act 2014

On Friday 13 June the Queensland Government commenced the *Regional Planning Interests Act 2014* by proclamation and also made the *Regional Planning Interests*

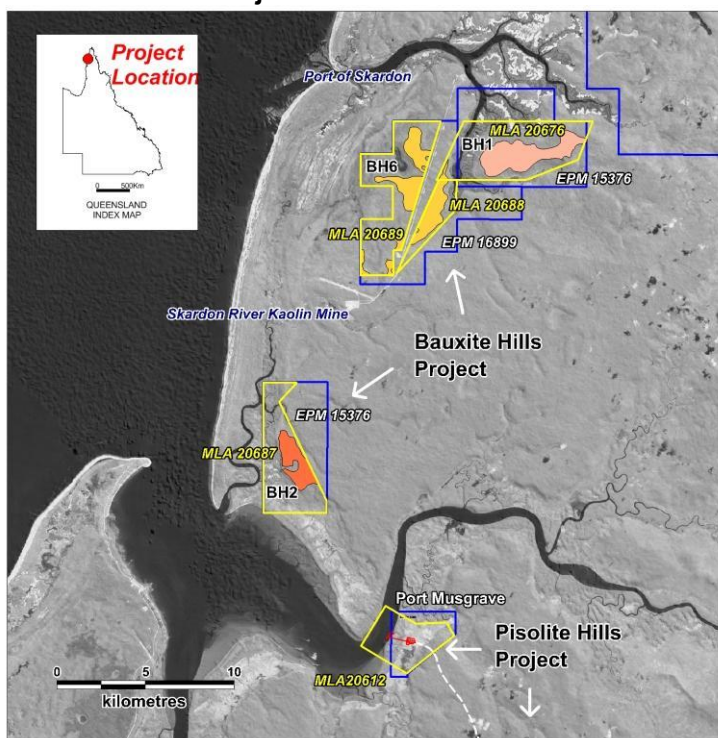
Regulation 2014. This legislation establishes the approval process for resource activities in areas of regional interest.

Maps outlining the Regional Interests Areas for the Cape York Region – including Strategic Environmental Areas (SEAs) - were incorporated into the Regulation ahead of the release of the Cape York Regional Plan.

Importantly, the Cape York Regional Interests map confirms there is no impact to any of Cape Alumina's Bauxite Hills tenements or the proposed mine and port project area. This proclamation removes any uncertainty regarding future land conflicts and allows Cape to focus on the development of the Bauxite Hills project.

Bauxite Hills Project

Figure 1 – Cape Alumina Bauxite Hills Project



The Bauxite Hills ASX Release dated 6 December 2013 contained, inter alia, the following details on the Bauxite Hills Project:

“The proposed Bauxite Hills integrated mine and port project is located approximately 95 kilometres north of Weipa on western Cape York, Queensland, within the bauxite plateau between the Ducie and Skardon River and just five kilometres south-east of the existing port* at Skardon River.

Cape has advised that the resources at Bauxite Hills have low strip ratios and are very shallow, free-digging deposits. They are located close to coastal waters and international

shipping routes, and have a high alumina content when low bauxite to alumina rates, which mean lower shipping costs and lower overall refinery input costs compared to bauxite deposits outside the Weipa region.

The assay results from the project's BH1 area have indicated the presence of two types of bauxite – an upper layer of mixed boehmite-trihydrate bauxite (MBT) and an underlying layer of low monohydrate bauxite (LMB). The LMB product is expected to be suitable for refineries operating at low temperature.”

*Note the Skardon River facility is suitable only for barging and as a base for transshipping.

(Source: Cape Alumina Limited ASX release dated 6 December 2013 “Cape Alumina to focus on development of Bauxite Hills project”) – <http://www.asx.com.au/asxpdf/20131206/pdf/42lfwlkcktyfj4.pdf>

Seaborne Bauxite Market

MetroCoal has taken a position in the bauxite sector through its investment in Cape Alumina Limited based on the current fundamentals and attractive outlook for the sector. The positive outlook is supported by a number of factors including the Indonesian government's ban on bauxite exports and India's recent announcement of their intention to increase their bauxite export tax from 10% to 20%.

Bauxite is one of the few commodities with increasing prices and a positive outlook.

Bauxite is the feed stock for alumina production requiring between 2 and 3 tonnes of bauxite per tonne of alumina. China is the world's largest alumina producer and consumer, but is short of domestic bauxite and imports 40% of its requirements, historically mainly from Indonesia, and also from Australia and India.

Early in 2014, the Indonesian Government confirmed its ban on bauxite exports. Indonesia legislated to restrict bauxite exports from Indonesia to encourage the construction downstream processing facilities (alumina refineries) in Indonesia. At that point, Indonesia was China's largest external provider of bauxite.

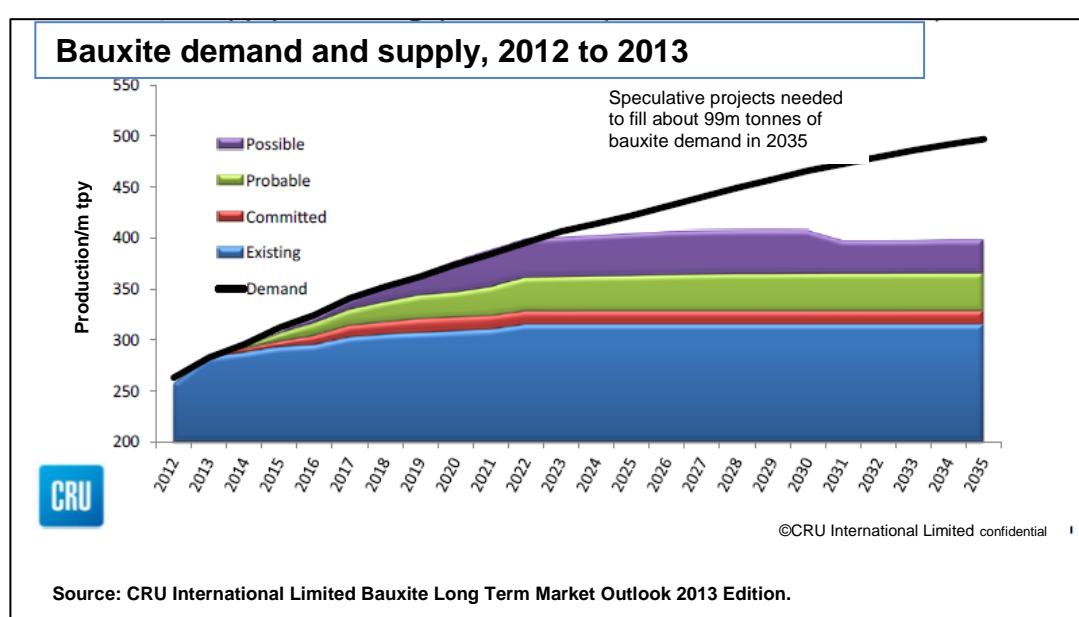
It is estimated that approximately 40 million tonnes of bauxite was exported from Indonesia to China in calendar 2013. With this supply together with imports from other countries, China had built up an estimated 12 month stockpile of required bauxite.

China has insufficient domestic bauxite to feed its burgeoning aluminium industry and has commenced importing from Guinea in West Africa at a CIF cost of approximately US\$90 per tonne. As the stockpiles are run down China will be under increasing pressure to secure new sources of imported bauxite. Australia is well placed to fill this demand as a reliable, long-term supplier of high-quality bauxite.

Cape York's proximity to China provides Australia with a logistical advantage over many alternative supply sources and Cape Alumina's Bauxite Hills is well positioned to take advantage of the increasing demand for Australian bauxite.

Bauxite demand is being driven on the supply side by the Indonesian export ban, tightening of supply and increasing taxes from India and shortages of domestic bauxite in China while on the consumption side demand is increasing for alumina to meet the rapidly rising aluminium production and consumption in China, India and the Middle East.

CRU International Limited are forecasting a potential supply shortfall emerging from 2015. This is illustrated in the following chart published in their report Bauxite Long Term Market Outlook, 2013 Edition. It should be noted that the chart does not reflect the effects of the Indonesia export ban. This combination of demand and supply influences is expected to place further upward pressure on bauxite prices in the near and medium term.



Corporate Cost Reductions

The Company continues to seek ways to reduce costs and following the reduction in Board size from 5 to 4 and a reduction in director fees, Metro has also achieved further savings by reducing full time employees down to two and the appointment of Scott Waddell as part time Chief Financial Officer and Company Secretary. Scott is currently Acting CEO Cape Alumina Limited (ASX:CBX).

Other Project Opportunities

As announced in the March Quarterly the Company in parallel with the strategy to build a stake in the bauxite market, has also been actively assessing other projects both domestically and overseas. The cost of this assessment has been kept to a minimum by maximising our in house management and Board capabilities and limiting the use of external resources.

Site visits have been undertaken, a number of potential projects have been evaluated and there are ongoing preliminary geological evaluations of possible target projects. At this stage no agreements have been entered into regarding taking an interest in a project but discussions are ongoing.

Although the focus is on bauxite and Cape Alumina, the Company will continue to seek avenues to diversify our risk base through active evaluation and possible acquisition of additional projects in the resources sector.

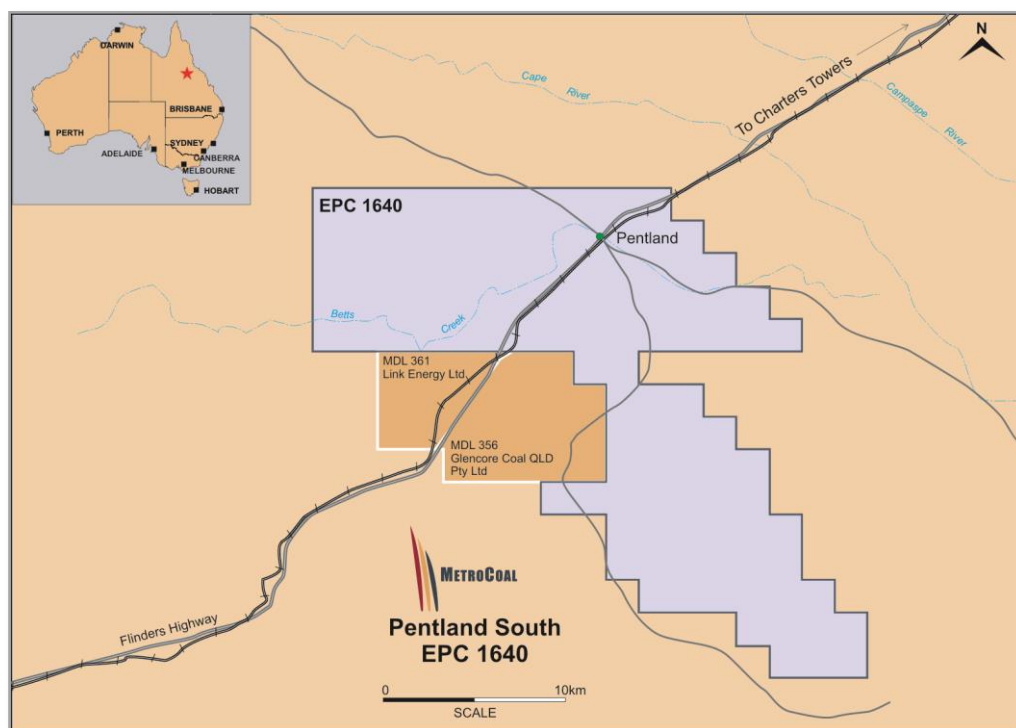
Coal Resources

Pentland South

Pentland South (EPC 1640), located 110 km southwest of Charters Towers in North Queensland, was granted in February 2014. Pentland South offers MetroCoal thermal coal exploration opportunities outside the Surat Basin which are prospective for opencut mining. An exploration program is being prepared and farm in opportunities are being discussed with third parties.

The tenement comprises 111 sub-blocks, approximately 310sq km, and surrounds Mineral Development Licences (MDL) held by Linc Energy and Glencore.

Figure 2 – Pentland South (EPC 1640)

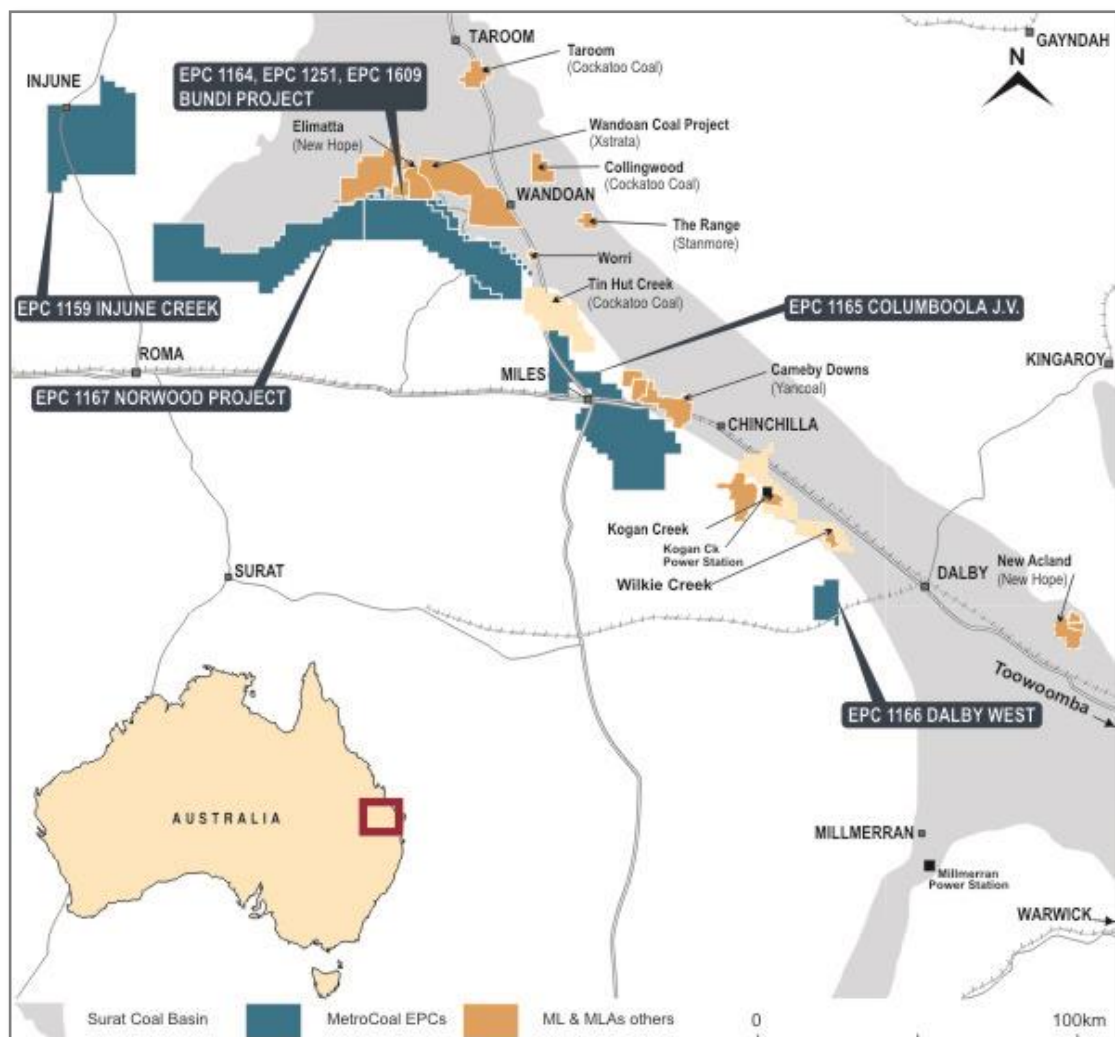


Existing Projects

Export prices for thermal coal remain at 5 year lows and although MetroCoal remains confident in the long-term outlook for coal costs at Bundi have been reduced to a minimum with field activities suspended and only some low cost work continuing to optimise geology and mine plans.

Field exploration at Columboola has been suspended and will be recommenced when market sentiment turns around. All tenements are in good standing and will be retained in accordance with the EPC conditions of grant.

Figure 3 – MetroCoal's Surat Basin Coal Tenements



MetroCoal's Thermal Coal Resources & Reserves

Project	MTE Ownership	Resources (Mt)*			Reserves (Mt)*	Applicable JORC
		Indicated	Inferred	Total		
Columboola	49%	94.7	1,618	1,712.7		2004
Goombi ²	49%	4.9	13.8	18.7	26.2	2004
Bundi (includes Juandah) ¹	100%	296	1,705.6	2,001.6		2012
Dalby West	100%		520	520		2004
Norwood	100%		156	156		2004
TOTAL		395.6	4,013.4	4,409	26.2	

¹ Refer ASX Release – Bundi Project Update – 24 October 2013

² Refer ASX Release – Columboola JV – Goombi Maiden Reserve Announced – 19 December 2012

* Mt – Million tonnes

Competent Person Statements

With reference to resources in the MetroCoal Resource and Reserve table excluding Bundi and Juandah

The information in this Announcement that relates to the Compilation of existing data and Exploration Results is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512). Mr Ed Radley is an independent Geological Resource Consultant retained by MetroCoal Limited. Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears.

With reference to the Bundi and Juandah resources in the MetroCoal Resource and Reserve table

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